

State of Rhode Island and Providence Plantations

Public Utilities Commission

Minutes of Open Meeting Held December 20, 2002

Attendees: Chairman Elia Germani, Commissioner Kate Racine, Commissioner Brenda Gaynor, Steve Frias, Cindy Wilson, Thomas Massaro, Alan Nault, Doug Hartley and Luly Massaro.

Chairman Germani called the open meeting to order at 2:30 P.M. in the second-floor hearing room of the Public Utilities Commission. A quorum was present.

Competitive Telecommunications Service Providers

The following companies submitted registration for authority to operate. The Division has reviewed the registrations and recommends approval of:

3481 - American Long Lines, Inc.

3482 - Total Communications Inc.

2262(Q17) - Vanilla, Inc.

After review, Chairman Germani asked for a motion and Commissioner Racine moved to approve the registrations. The motion was seconded by Commissioner Gaynor and unanimously passed. **Vote 3-0.**

The following companies submitted tariff revisions. The Division has reviewed the tariff filings and does not recommend suspension of:

2702 - Verizon Select Services, Inc.

3196 - Z-Tel Communications, Inc.

2618 - AT&T Communications of NE, Inc. (filings submitted on 11/29 & 12/09)

2486 - MCI metro Access Transmission Service, LLC RI

2878 - Choice One Communications of RI, Inc.

3473 - Essex Acquisition Corp.

2472 - Sprint Communications (filings submitted on 12/06 & 12/13)

2262(D) - Operator Service Co.

2262(O11) - CenturyTel Long Distance, Inc.

2262(V5) - BellSouth Long Distance, Inc.

2262(O) - VarTec Telecom, Inc.

2262(A6) - Southwestern Bell Communications Services, Inc.

2262(L10) - PaeTec Communications Inc. (filings submitted on 12/11 & 12/16)

2262(F16) - Bell Atlantic Communications, Inc. (two filings submitted on 12/12)

2262(G16) - NYNEX Long Distance Co. dba Verizon Enterprise Solutions

2262(P7) - MCI WorldCom Communications, Inc. (filings submitted on 11/27 & 12/16)

2262(P1) - NOSVA Limited Partnership

2262(Q2) - Affinity Network Inc.

2262(O2) - NOS Communications, Inc.

After review, the Commission followed the Division's recommendation that the tariff filing be allowed to go into effect without suspension.

3195 – Verizon Rhode Island (“Verizon”): In this docket, the Commission reviews Verizon’s Carrier-to-Carrier (C2C) Guidelines for Rhode Island. The following filings were deliberated upon and approved:

- 1) On October 25, 2002, Verizon filed a new Metric OR-6-04 to measure percent directory listing accuracy for RI. This metric was adopted by the New Hampshire, District of Columbia, Virginia and Maryland public utility commissions. The Division has reviewed the filing and recommends that the inclusion of Metric OR-6-04 into the C2C Guidelines for Rhode Island. After review, Chairman Germani asked for a motion and Commissioner Racine moved to approve the inclusion of Metric OR-6-04 into the C2C Guidelines for RI. The motion was seconded by Commissioner Gaynor and unanimously passed. **Vote 3-0.**
- 2) On December 4, 2002, Verizon submitted a redlined version of the current C2C Guidelines reflecting the consensus changes to the New York C2C Guidelines that were filed with the NYPSC on October 25, 2002. The Division has reviewed the filing and recommends inclusion of the consensus changes into the C2C Guidelines for RI. After review, Chairman Germani asked for a motion and Commissioner Racine moved to approve the inclusion of the changes into the C2C Guidelines for RI. The motion was seconded by Commissioner Gaynor and unanimously passed. **Vote 3-0.**

3363 – Verizon Rhode Island (“Verizon”): Verizon submitted a tariff revision to RIPUC No. 18 to provide for the quarterly update of the Unbundled TC Reciprocal Compensation Charge. The unbundled TC reciprocal compensation rates are calculated on a quarterly basis to reflect the average rate per minute paid to the CLECs by the telephone company over the previous three-month usage. After review, the Commission followed the Division’s recommendation that the tariff filing be allowed to go into effect without suspension.

3453 – Kent County Water Authority (“KCWA”): KCWA filed a motion to pass through the recently approved wholesale rate increase for Providence Water Supply Board (PWSB) that will become effective on January 1, 2003. KCWA seeks to increase metered water rates by 2.83% to recover increased purchased water expenses of \$327,742. The Division filed a memorandum indicating that the calculation of KCWA’s proposed pass through rates is accurate and recommending approval of the proposed rates, noting that the impact on a typical residential customer using 75,000 gallons annually would be \$7.92 per year, or a 2.61% increase. After review, Chairman Germani asked for a motion and Commissioner Racine moved to approve KCWA’s motion to pass through the wholesale rate increase of PWSB with the rates filed by KCWA. The motion was seconded by Commissioner Gaynor and unanimously passed. **Vote 3-0.**

2802 – Island Hi-Speed Ferry (“IHSF”): IHSF filed a request for an extension of time until January 10, 2003 to submit its compliance filing in accordance with Order No. 15816, which requires IHSF to report financial and operating information for its first year of operations and to file a pro forma cost of service for the next year. After review, Chairman Germani asked for a motion and Commissioner Racine moved to grant IHSF extension of time until January 10, 2003 to submit its compliance filing. The motion was seconded by Commissioner Gaynor and unanimously passed. **Vote 3-0.**

3483 – Narragansett Bay Commission (“NBC”): NBC filed new rates designed to generate additional revenues in the amount of \$13,826,248, a 31.1% rate increase, for effect December 29, 2002. After review, Chairman Germani asked for a motion and Commissioner Racine moved to suspend NBC’s proposed rate changes beyond the effective date of December 29, 2002. The motion was seconded by Commissioner Gaynor and unanimously passed. **Vote 3-0.**

3479 – Narragansett Electric Co. (“Company”): This docket relates to the Commission’s review of Narragansett’s annual reconciliation filing of actual revenues and expenses for the 12-month period ending September 2002 with regard to the Company’s Standard Offer Service, Transmission and Transition charges, the Company’s estimate of its 2003 expenses and revenues under its tariff adjustment provisions, and the implementation of proposed rate changes for effect January 1, 2003. A public hearing on the Company’s filing was held on December 12, 2002. After a review of the record, the following motions were discussed and deliberated upon:

- 1) Commissioner Gaynor moved to approve the Company’s proposed change to the non-bypassable Transition Charge from its present level of 0.874¢ per kWh to 0.944¢ per kWh, an increase of 0.07¢ per kWh. The motion was seconded by Commissioner Racine and unanimously passed. **Vote 3-0.**
- 2) Noting that the Company projects a Standard Offer under-recovery of at least \$18.2 million through September 2004, Commissioner Gaynor moved to approve the Company’s request to use a \$20 million payment received last year from a Standard Offer power supplier to offset fuel index payment costs it has begun to incur under its Standard Offer supply contracts and for which Standard Offer customers are liable. The \$20 million was deposited in an interest-bearing account for the benefit of ratepayers, and will approximate \$21.2 million at December 31, 2002. The motion was seconded by Commissioner Racine and unanimously passed. **Vote 3-0.**
- 3) Commissioner Gaynor also moved to approve the Company’s request to apply a Last Resort Service over-collection of \$665,394 to offset fuel index payment costs under its Standard Offer supply contracts, noting that this treatment was consistent with the Commission’s previous approval of the application of a

Standard Offer over-recovery to offset a Last Resort Service under-collection.

- 4) The Company's transmission reconciliation reflects an over-recovery of \$6.8 million at September 30, 2002. The Company seeks approval to retain \$6.1 million of this balance to potentially offset disputed ISO Tariff charges deferred by the Company through September 2002. Since it is not certain whether the Company will ultimately be liable for the disputed ISO charges or that the expenses will be recoverable from ratepayers, the Division recommends that the Commission at least apply an amount (\$4 million of the over-recovery) sufficient to eliminate the need for an increase in the Transmission Adjustment Factor. Commissioner Gaynor moved to adopt the Division's recommendation, noting that approval of this application of funds does not imply that the disputed ISO expenses will be recoverable from ratepayers. The motion was seconded by Commissioner Racine and unanimously passed. **Vote 3-0.**
- 5) As the application of \$4 million in transmission over-recovery will eliminate the need to increase the Transmission Adjustment Factor, Commissioner Gaynor moved to maintain the currently effective Transmission Adjustment Factor of 0.063¢ per kWh. The motion was seconded by Commissioner Racine and unanimously passed. **Vote 3-0.**

3463 – Narragansett Electric Co. (“Company”): This docket relates the Commission's review of Narragansett Demand Side Management (DSM) programs for 2003. After a review of the record, Commissioner Gaynor moved to approve the Amended Settlement Agreement (dated December 17, 2002) between Narragansett, the Division, the State Energy Office, the Coalition for Consumer Justice and The Energy Council of RI regarding the Company's budget and DSM programs for 2003. The motion was seconded by Commissioner Racine and unanimously passed. **Vote 3-0.** Commissioner Gaynor noted that the Settlement reflects a new infusion of ideas and efforts to target small C&I customers. As approved, the Settlement will provide Narragansett with annual budget of \$22,706,700 to implement DSM programs in 2003, including a series of public forums to outreach and educate potential participants.

There being no further business to discuss, the open meeting adjourned at 3:15 P.M.